

basis that is consistent with Statement of Financial Accounting Standards ("SFAS") 34, Capitalization of Interest.

U S WEST encourages the alignment of regulatory accounting practices with GAAP. We share the Commission's preference for the use of GAAP in federal accounting rules,³ whenever appropriate. Thus, in theory, U S WEST supports the Comments of NYNEX, Ameritech and Southwestern Bell.⁴










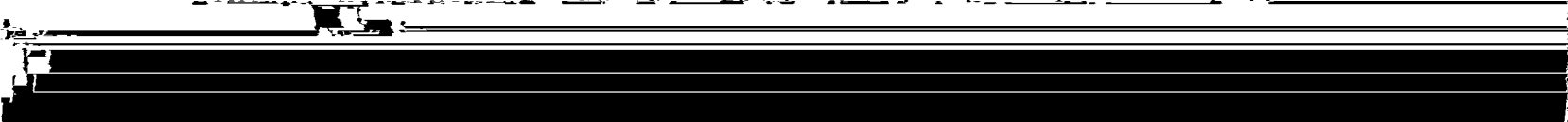
However, U S WEST does not support the establishment of a mandatory accounting method for AFUDC in those circumstances when the AFUDC is not determined by the accounting carrier to be material enough to require capitalization. In this regard, we support the arguments of BellSouth and the Florida PSC.⁵

³See id. at 2085 ¶ 6, 2086 ¶ 15.

⁴See generally Comments of Ameritech Operating Companies ("Ameritech"), Southwestern Bell Telephone Company ("Southwestern Bell") and NYNEX Telephone Companies ("NYNEX"), filed herein May 13, 1993. NYNEX, Ameritech and Southwestern Bell's Comments are more unconditionally supportive of the Commission's proposal than U S WEST is comfortable with. See further discussion below.

⁵See Comments of BellSouth Telecommunications, Inc. ("BellSouth"), filed herein May 13, 1993, at 3; Comments of the Florida Public Service Commission ("Florida PSC"), filed herein May 13, 1993, at 2. U S WEST supports the materiality discussion contained in the Comments filed by BellSouth and the Florida PSC. See id. We do not, however, agree with their conclusion (i.e., that the Commission should not adopt the revenue requirement offset method of accounting with regard to AFUDC and should adopt the rate base method). See BellSouth at 3-4; Florida PSC at 2-3. AFUDC may be immaterial to BellSouth, and perhaps to other carriers. Adoption of the rate base method across-the-board, however, would imply that AFUDC is immaterial for all regulated carriers, both now and in the future. The industry would not be benefitted by adopting such an absolute position.

U S WEST believes that carriers should be accorded the flexibility to decide whether to account for AFUDC under the



the amounts at issue are not material.⁷ The application of SFAS 34 to immaterial items is not required, although it is not prohibited.

U S WEST encourages the Commission to provide for similar flexibility in its proposed Part 32 Rules. Carriers should not be required in all cases to capitalize AFUDC interest. Requiring a carrier to account for immaterial amounts imposes unwarranted accounting burdens on the carrier without any corresponding demonstrable benefits. If a carrier determines the amount in question to not be material, the carrier should be permitted to account for the operations as it deems most appropriate for its operations. In light of the fact that SFAS 34 would itself provide for such accommodation, the Commission should provide for similar accommodation in its regulatory practice.⁸

II. CONCLUSION

U S WEST supports the Commission's proposal to move to the revenue requirement offset method of accounting for AFUDC, with the caveat that the full significance of SFAS 34 be accorded Commission support. Thus, if a carrier deemed AFUDC not material

⁷SFAS 34 itself states, "The provisions of this Statement need not be applied to immaterial items."

⁸MCI's argument that the Commission should "not allow the LECs to charge for any investment until it can be considered 'used and useful' for the provision of telecommunications service[,]" is regressive. See MCI Telecommunications Corporation ("MCI") Comments, filed herein May 13, 1993, at 4. As the Commission's NPRM recites, the accounting history associated with AFUDC at the federal level has never been so circumscribed. See NPRM, 8 FCC Rcd. at 2084-85 ¶¶ 3-6.

5

enough to be accounted for under the revenue requirement offset method, it would be free to utilize a different accounting methodology, such as the rate base method.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By:

Kathryn Marie Krause
Kathryn Marie Krause
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036
(303) 296-0275

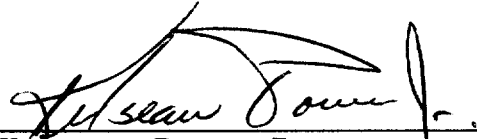
Its Attorney

Of Counsel,
Laurie J. Bennett

May 28, 1993

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify on this 28th day of May, 1993, that I have caused a copy of the foregoing **REPLY COMMENTS OF U S WEST COMMUNICATIONS, INC.** to be served via first class U.S. Mail, postage prepaid, on the persons named in the attached service list.


Kelseau Powe, Jr.

***Hand-Delivered**

*Kathleen B. Levitz
Federal Communications
Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Rochelle D. Jones
The Southern New England
Telephone Company
227 Church Street, 4th Floor
New Haven, CT 06506

*Ken Moran
Cliff Rand
Federal Communications
Commission
Room 812
2000 L Street, N.W.
Washington, D.C. 20554

Michael S. Pabian
Ameritech Operating Companies
Room 4H76
2000 W. Ameritech Center Drive
Hoffman Estates, IL 60196-1025

*Gregory J. Vogt
Federal Communications
Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Christopher W. Savage
Edward D. Young, III
The Bell Atlantic Telephone
Companies
1710 H Street, N.W.
Washington, D.C. 20006

*Hugh Boyle
Federal Communications
Commission
Room 812
2000 L Street, N.W.
Washington, D.C. 20554

Robert W. Sterrett, Jr.
M. Robert Sutherland
4300 Southern Bell Center
675 W. Peachtree Street, N.E.
Atlanta, GA 30375

*International Transcription
Services
Federal Communications
Commission
Room 246
1919 M Street, N.W.
Washington, D.C. 20554

William E. Wyrrough, Jr.
Florida Public Service
Commission
101 East Gaines Street
Tallahassee, FL 32399

Carol R. Schultz
MCI Telecommunications
Corporation
1800 Pennsylvania Avenue
Washington, D.C. 20006

Scot Cullen
Public Service Commission
of Wisconsin
4802 Sheboygan Avenue
P.O. Box 7854
Madison, WI 53707-7854

Linda Kent
United States Telephone
Association
Suite 800
900 19th Street, N.W.
Washington, D.C. 20006-2105

Steven E. Watkins
David Cosson
National Telephone Cooperative
Association
2626 Pennsylvania Avenue, N.W.
Washington, D.C. 20037

James E. Taylor
Richard C. Hartgrove
Bruce E. Beard
Southwestern Bell Telephone
Company
1010 Pine Street, Room 2114
St. Louis, MO 63101

Richard A. Askoff
National Exchange Carrier
Association
100 South Jefferson Road
Whippany, NJ 07891

Campbell L. Ayling
The NYNEX Telephone
Companies
120 Bloomingdale Road
White Plains, NY 10605

Linda Gardner
Public Service Commission
of Missouri
P.O. Box 360
Jefferson City, MO 65102

Genevieve Morelli
Competitive Telecommunications
Association
1140 Connecticut Avenue, N.W.
Washington, D.C. 20036